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Teradata Value Analyzer

A Tool for Determining Customer Value and CRM Performance

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EXHIBIT L

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NETTING IT OUT

NCR's Teradata Value Analyzer helps companies in the financial services and insurance industries understand the value of their customer relationships and their CRM efforts.

Value Analyzer calculates profitability along several dimensions including overall transaction value, the cost to serve, and profitability by specific product lines. Teradata Value Analyzer displays the results and lets you see how the results were calculated as well as access the data used in the analysis. This level of flexibility results mainly from Value Analyzer's integration with NCR's Teradata data warehouse and CRM solutions.

When used with Teradata CRM, Value Analyzer helps marketers create personalized offers based on customer value and determines specific actions such as when to waive fees or waive a prequalification or preapproval process when interacting with customers.

As NCR's Teradata division attempts to broaden its range of customer intelligence functionality in its Teradata CRM suite, it will incorporate Value Analyzer into the fold and will extend Value Analyzer's analytic functionality to other vertical industries.

THE CHALLENGE OF UNDERSTANDING CUSTOMER VALUE

Understanding customer value is an essential part of succeeding in business today, especially in the

financial services sector. It is ironic that companies which exist to serve the financial needs of their customers often have a difficult time assessing customer value. Nevertheless, these companies frequently have a tough time assessing how customers are profitable to their enterprise, determining the lifetime value of their customers, and assessing how much they own of the customer's share of wallet.

Profitability, especially, is a tricky thing to estimate. In banks, lending institutions, and financial service corporations, there can be as many assessments about the profitability of a customer as there are departments within the organization. In addition, these assessments can have a ripple-like effect in helping companies better understand what's driving corporate profitability. For example, if finance executives have the ability to determine the value of their customers, they also have the ability to understand the cost-based accounting measurements that drive profitability and can communicate this information better to the corporation's shareholders. Executives can also improve upon the costs to develop, market, and sell products and improve the optimal price point of their products.

In the financial services industry, understanding customer value and CRM performance can have a tremendous effect on the strategies companies use in managing the customer assets, especially in the areas of portfolio management tactics and CRM strategies. For years, banks and financial service companies have believed that CRM and account aggregation tactics are the basics for building customer loyalty and corporate profitability but are difficult to put into practice and assess. In theory, customer value and account aggregation have a synergistic relationship throughout an enterprise. After all, if you know more about how valuable a customer is, you can offer better services and products, build the relation-

ship, and increase value and profitability in each department. But many financial service firms have created Chinese walls around their product lines making it difficult, if not impossible, to assess customer value. In some cases, SEC regulations prohibit companies from sharing customer-related data between different types of funds (such as 401K funds and the retail brokerage accounts). However, companies can compute customer value through specific life-event related scenarios, such as retirement re-allocations after the age 70 and funds transfer pricing for mortgages and automobile and small business loans.

Technology plays a critical role in helping companies gather the right information that can be measured using the right kinds of tools to process and analyze the customer data. The technology, moreover, is not your father's Chrysler. New kinds of technology solutions are needed to gather, store, and, especially, analyze customer information. These technologies, which often fall under the category of customer value analysis solutions, provide companies with the ability to calibrate complex value-based measurements such as lifetime value, behavior-based customer profitability, and share of wallet as well as determining how customer value relates to corporate profitability.

TERADATA VALUE ANALYZER

Value Analyzer, a solution from Teradata, a division of NCR, is a solution that helps companies in the financial services and insurance industries assess customer value and CRM performance. It helps companies like the Royal Bank of Canada measure how profitable each customer is to their enterprises. Value Analyzer leverages the data gathered and stored in an NCR Teradata data warehouse to provide insight into customer value. Teradata CRM can then leverage the analysis provided by Value Analyzer to provide targeted campaigns and personalized customer interactions.

Value Analyzer offers a broad range of customer value analytics and predictive modeling environment for companies to assess customer value and CRM performance.

Key Features and Functionality

Teradata Value Analyzer offers a broad range of customer value analytics and a predictive modeling environment for assessing customer value and CRM performance. Teradata Value Analyzer can determine customer value and CRM performance along several dimensions:

- By the transactional value of an individual customer account in relation to the enterprise
- By the cost to serve and interact with customers at each touchpoint
- By specific product lines
- By the relationships of the customer with a company's functional departments.

So, for example, if Mary Sue Jones is a customer of Our-Bank, Value Analyzer can help the bank understand: how profitable Mary Sue is for the company, how profitable is Mary

Sue in relation to the different touchpoints that she interacts with (which can also show the relationship between the value Mary Sue generates and the average costs of interaction at each touchpoint), how profitable Mary Sue is based on the kinds of investment and banking products that she's purchased and based on her interaction history, and even how profitable Mary Sue is to a particular department like customer service. Value Analyzer's analytics and predictive modeling environment can leverage the Teradata data warehouse and feed Teradata CRM components. Leveraging the Teradata data warehouse platform provides complete scalability, enabling Value Analyzer to process hundreds of millions of transactions for millions of accounts with hundreds of products.

Using Value Analyzer

When used with Teradata CRM, Value Analyzer helps marketers create personalized offers based on customer value and determines specific actions, such as when to waive fees and eliminate (or shorten) the

The screenshot shows the 'Product Group Summary' window. The left pane displays a tree structure with 'Builder Licens' expanded, showing 'Commercial DDA' as a sub-item. The right pane shows a list of product names, with 'abc' at the top. The window includes a title bar, a menu bar, and a toolbar. The status bar at the bottom shows the file path 'C:\Program Files\Value Analyzer\Value Analyzer.exe'.

Illustration. Value Analyzer lets you define business rules to customer account profitability measurements including net interest revenue, direct and indirect expenses, risk provision, and capital allocation.

approval process when interacting with established customers. Marketers and financial service representatives typically use Value Analyzer to build profit and product-based customer segmentation models in which Value Analyzer identifies the customer segments with the highest transactional values and related products with the most profitability. Then, to gain the full view of customer value, companies can evaluate customer segments against customer behavior information and touchpoint usage. When the analysis is applied against Teradata CRM's business rules framework, users can determine the appropriate actions and offers to make to the customer.

Teradata Value Analyzer can also help portfolio managers build funds transfer pricing models and financial services companies calculate the costs to serve their customers with different mortgage and loan rates. For example, Value Analyzer can help a bank determine the cost of a 30-year mortgage and determine to the cost of providing the mortgage versus other kinds of loans. It can also factor in risk, especially in determining the net effect of a customer's ability to pay off a loan. A financial services

company can even use Value Analyzer to determine the optimum interest rate for a specific loan amount.

In terms of analyzing customer value and profitability, Value Analyzer has a broader range of functionality than many of the homegrown solutions that have been used over the years. For example, Value Analyzer's dynamic modeling environment (shown in the illustration) can support the complex business rules framework that companies use to grow the value of their customer relationships.

Custom solutions, in contrast, tend to be more departmentally focused on specific issues rather than on providing analytics that could be applied across the entire enterprise. Because of this broader focus, Value Analyzer makes its analysis accessible to everyone in the organization. Moreover, custom solutions typically feed their results to individuals through a portal or dashboard, masking the analysis behind the results. Thus, there's often no way to determine how a particular result was calculated.

Integration and Architecture

Teradata Value Analyzer, on the other hand, displays its results, lets you see how the results were

calculated, and provides access to the data used in the analysis. This level of flexibility results mainly from Value Analyzer's integration with NCR's Teradata data warehouse and CRM solutions. Value Analyzer not only draw on the relevant data sources for analysis across the enterprise, but it can also offer the appropriate environment for multidimensional predictive modeling. Additionally, it can easily be used in tandem with some of Teradata's other customer intelligence analysis tools, such as Behavior Explorer for the financial services industry and Teradata Churn Management for the communications industry.

Value Analyzer's flexibility, moreover, goes hand in hand with scalability, which, as mentioned earlier, is one of the main benefits of being architected on the Teradata data warehouse platform. Teradata is also equipped to concurrently support and prioritize mixed workloads of strategic, tactical, and event-driven decision-making, thereby enabling end users to access the same data for their strategic predictive analysis as well as their more time-sensitive operational analysis.

Pricing

Pricing for Teradata Value Analyzer is tiered based on the number of accounts that are processed, starting at \$200,000 and increasing in price based on increments of two to four million accounts.

Competition and the Road Ahead

Since its release in December 1999, Value Analyzer has been implemented in 15 financial services institutions worldwide. As NCR's Teradata division attempts to broaden its range of customer intelligence functionality in its Teradata CRM suite, it will incorporate Value Analyzer into the fold and will extend Value Analyzer's analytic functionality to other vertical industries.

In the meantime, Teradata will face competition from several areas, including the following:

- CRM vendors that provide their solutions as add-on components to their CRM platforms, such as Oracle's Financial Services application and PeopleSoft's Customer Profitability Management application
- ECRM vendors, such as E.piphany, Xchange, Unica, and Kana Communications (formerly Broadbase Software), which provide some customer valuation functionality in their predefined reporting templates
- Custom solutions developed with analytic platforms such as SPSS and SAS
- Specialized banking tools that leverage other data storage platforms, such as HNC Software's ProfitVision, Fiserv IPS-Sendero's Customer Profitability System, ABC Technologies Oros Solution, Metavante's Relationship Profitability, and PMG Systems' TruCUSTOMER applications

With the practice of customer valuation still in its early stages of development, we expect consolidation to take place among these vendors within the next two years. As part of the Teradata CRM solution, NCR is well positioned to become a dominant player, going head-to-head with the CRM and eCRM players rather than the specialized banking tool providers, as they broaden Value Analyzer's applicability to other industries.

The Bottom Line

For companies in the financial services or insurance industries, NCR's Teradata Value Analyzer is an important solution to add to their CRM and customer intelligence framework to help them understand the value of their customer relationships.

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